

Don't fall for AT&T's Let Us Takeover and We'll Give You All Broadband Argument:

For most of the twentieth century, AT&T held a monopoly over telephone service in the United States. National sentiment at the time could best be characterized by comedienne Lily Tomlin's puckish character Ernestine, an employee of the "Phone Company," who famously taunted audiences: "The next time you complain about your phone service, why don't you try using two cups with a string? We don't care. We don't have to ? we're the Phone Company."

Thankfully, in 1984, the Department of Justice broke up "Ma Bell" to foster competition in the telecom industry and bring down the heavily inflated price of phone service. The effort to lower prices by increasing competition was successful.

Today, however, we are on the precipice of revisiting that history. AT&T's proposed purchase of T-Mobile would bring the wireless industry to a near duopoly ? with two entrenched companies dominating the market. If the merger is approved, AT&T and Verizon would control 80 percent of the wireless market, leaving Sprint the only meaningful competitor against two giants. With the proposed merger, AT&T is trying to create "Ma Cell" and set American consumers back 30 years.

The Federal Communications Commission can prevent this from happening. The Commission is required by statute to approve wireless mergers only when doing so would benefit the public interest. Somehow, AT&T has argued that the merger would lower prices, create jobs and increase competition, even though basic principles of economics and history tell us that concentrated markets lead to the exact opposite in each case.

Fortunately, some congressional leaders see through AT&T's rhetoric. Senator Herb Kohl (D-Wisc.), chairman of the Senate Judiciary Antitrust Subcommittee, submitted a letter last week to FCC Chairman Julius Genachowski and Attorney General Eric Holder urging their agencies to reject the merger. Senator Kohl wrote that the merger "will eliminate head-to-head competition between AT&T and T-Mobile, reduce an already concentrated national cellphone market from four to three competitors . . . , [and] pose a substantial danger to consumers of higher cellphone bills and fewer choices for service." Representatives Ed Markey (D-Mass.), Anna Eshoo (D-Calif.) and John Conyers (D-Mich.) also submitted a letter questioning the merger and urging careful examination of its consequences, expressing concern that the acquisition "could reduce competition and increase consumer costs at a time our country can least afford it."

This week, Sen. Al Franken, (D-Minn.) joined the growing chorus of legislators calling on the regulators to do what the evidence demands of them: reject this merger as a harm to the public interest. (If you look carefully, you can spot Sen. Franken in the Ernestine video linked above, from about 35 years ago. He was clearly ahead of the curve on this one.)

Moreover, a merger isn't even necessary to secure the benefits AT&T proclaims. AT&T wants us to believe that the merger would permit expansion of its high-speed mobile broadband services to more rural areas using T-Mobile's cell tower infrastructure and spectrum assets. Even supposing that AT&T's claims of network congestion and spectrum shortage were valid, what prevents AT&T and T-Mobile from entering into an agreement that permits them to share these resources without merging? And what prevents AT&T from spending a fraction of the \$39 billion it has offered for T-Mobile to invest in its own network and spectrum holdings to alleviate these supposed problems? Clearly, there are alternatives to a competition-killing merger that would provide AT&T the spectrum relief it claims to need.

AT&T insists that it needs T-Mobile's spectrum licenses in order to expand its LTE network to underserved rural areas and to provide coverage to 97 percent of Americans. It may seem generous of AT&T to spend \$39 billion to deploy mobile broadband services to these areas, but the fine print bears reading: AT&T has already promised to blanket the country in HSPA+, another high-speed mobile broadband technology. While LTE is slightly faster, it doesn't change the fact that AT&T purports to require T-Mobile's spectrum to make good on a promise it is already committed to fulfilling.

In short, the proposed merger is not really about bringing mobile broadband to rural America. AT&T has more than enough spectrum to do that today, if it is so concerned about rural deployment. What's more, Verizon is already building out its LTE network to cover these areas, despite having many more subscribers and only two-thirds the amount of spectrum that AT&T would hold after the merger. The reality is that AT&T wants to bring AT&T's LTE network to rural Americans and reduce competition at the same time, so that Ma Cell can price-gouge its newest consumers.

Don't be fooled by claims that this merger would serve the public interest, despite what AT&T and its cronies would have you believe.